

**Supplemental Reporting Document  
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November 2008 Investment Committee Meeting  
(September 2008 Reporting Period)**

**Quarterly and Annual Reports**

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- Internally Managed Treasury Inflation Protected Securities Fixed Income
- Low Duration Fixed Income Funds
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November 17, 2008

## **SUPPLEMENTAL ITEM**

### **TO: MEMBERS OF THE INVESTMENT COMMITTEE**

**I. SUBJECT:** Proxy Voting – Quarterly Report Results

**II. PROGRAM:** Public Markets

**III. RECOMMENDATION:** Consent Item

#### **IV. ANALYSIS:**

On a quarterly basis, staff provides a report on CalPERS' proxy voting results to the Investment Committee. This supplemental item provides detailed results on CalPERS' proxy votes for the period July 1, 2008 to September 30, 2008. Staff is delegated the authority and responsibility to execute all proxies and voting instructions in a manner that is consistent with the Board's Global Proxy Voting Principles.

Table 1 below provides a summary of CalPERS' internal proxy voting results for the period. Staff continues to update this table to provide the Committee with a 5-quarter rolling analysis of CalPERS' proxy voting results.

**Table 1: Summary of CalPERS proxy voting results**

<b>Period</b>	<b>Approximate Number of Meetings Voted</b>	<b>Approximate Number of Individual Items Voted</b>	<b>Number of Shareowner Proposals Voted</b>	<b>Percent of Shareowner Proposals Supported</b>
07/01/08 to 09/30/08	1,308	8,819	35	64%
04/01/08 to 06/30/08	5,797	53,917	743	72%
01/01/08 to 03/31/08	1,042	6,695	46	67%
10/01/07 to 12/31/07	1,164	6,981	38	81%
07/01/07 to 09/30/07	1,107	7,341	48	90%

**Source: Glass Lewis (Viewpoint)**

In addition to the summary above, we have prepared detailed reports of CalPERS' proxy votes cast during the period July 1, 2008 to September 30, 2008 as attachments for this item. Although the attachments are not included in the agenda materials due to their size, they may be requested through the Investment Committee Secretary.

**Attachment 1** contains the internal proxy voting decisions made in CalPERS' domestic portfolios and CalPERS' international portfolios, including staff's comments.

**PROXY VOTING HIGHLIGHTS FOR THE DOMESTIC AND INTERNATIONAL PORTFOLIOS July 1, 2008 to September 30, 2008:**

**1) Executive Compensation:**

CalPERS voted **AGAINST** the following executive compensation plans (Table 2):

**Table 2: Votes AGAINST executive compensation plans**

<b>Company</b>	<b>Meeting</b>	<b>Reason</b>
TRM Corp.	7/10/08	CalPERS believes the plan is too costly when compared to its peers.
Impac Mortgage Holdings Inc.	7/10/08	The plan contains an evergreen provision.
DeltaThree Inc.	7/23/08	The plan allows for reload stock options and equity grants should have minimum vesting periods of at least 3 years.
Tessco Technology Corp.	7/24/08	CalPERS believes equity grants should have minimum vesting periods of at least 3 years.
Capstone Turbine Corp.	8/28/08	The plan allows for the repricing of stock options.

**2) Shareowner proposals:**

CalPERS voted **FOR** of the following shareowner proposals (Table 3):

**Table 3: Votes FOR of shareowner proposals**

<b>Company</b>	<b>Meeting</b>	<b>Proposal</b>	<b>Reason</b>
Centex Corp.	7/10/08	Regarding Climate Change	CalPERS believes companies should provide accurate and timely disclosure of environmental risks and opportunities associated with climate change.
Dell Inc.	7/18/08	Advisory Vote on Executive Compensation	CalPERS believes an advisory vote on executive compensation will benefit shareowners and the company.
Napster Inc.	9/18/08	Majority Vote for Director Elections	CalPERS believes a majority of the proxies cast should be required to elect a director.
3Com Corp.	9/24/08	Declassify the Board of Directors	CalPERS believes every director should be elected annually.
Worthington Industries Inc.	9/24/08	Implement Equal Employment Opportunity Policies	CalPERS is a firm supporter of best practices in the workplace.
FedEx Corp.	9/29/08	Independent Board Chairman	CalPERS believes if the Chairman is independent the board may be able to exercise stronger oversight of management.

CalPERS voted **AGAINST** the following shareowner proposals (Table 4):

**Table 4: Votes AGAINST shareowner proposals**

Company	Meeting	Proposal	Reason
Cagles Inc.	7/11/08	Implement Controlled-Atmosphere Killing	CalPERS believes management and the board are best suited to make these types of business decisions.
Alliant Tech System Inc.	8/5/08	Adopt Principles for Health Care Reform	CalPERS believes this proposal may be too restrictive and may pose long-term harm to the company.
CET Systems	8/12/08	Proposal to Limit Executive Compensation	CalPERS believes the proposal could unfairly restrict the company's ability to attract and retain competent executives and thereby cause long-term harm to the company.

### 3) Website votes:

The following is a sample of Website votes cast during the quarter (Table 5):

**Table 5: Website votes cast**

Company/Date	Issue	Vote	Reason
Dell Corp. 7/18/08	Director Election	Against	Withhold from director nominee nominee T. Luce for being an affiliated director and sitting on Audit Committee.
Yahoo Inc. 8/1/08	Proposal on Pay for Performance	For	CalPERS is a firm supporter of pay for performance.
Heinz HJ Co. 8/13/08	Reduce Supermajority Requirements	For	CalPERS believes shareowners should not be subject to supermajority voting requirements.
FedEx Corp. 9/29/08	Advisory Vote on Executive Compensation	For	CalPERS believes an advisory vote on executive compensation will benefit shareowners and the company.

#### 4) International Proxy Voting:

A sample of International votes cast **AGAINST** management during the quarter (Table 6):

**Table 6: International AGAINST votes cast**

Company	Country	Issue	Reason
Big Yellow PLC 7/9/08	United Kingdom	Appoint Auditor	CalPERS believes fees paid to the auditor for non-audit related services are excessive.
Berkeley Group Holdings 8/28/08	United Kingdom	Stock Option Plan	Stock options should vest over a period of three years.
Richemont 9/10/08	Denmark	Elect Directors	Withhold from nominee L. Douro. The compensation committee should be composed of a majority of independent directors.

#### 5) Proxy Contests

A sample of votes cast for contested meetings (Table 7):

**Table 7: Votes cast at contested meetings**

Company	Dissident	Dissident's Complaints	CalPERS Vote	Reason for the Vote
Napster Inc.	Perry Rod, Thomas Sailors, Kevin Singh	Poor stock performance and an entrenched board	Voted with management	CalPERS supported the current board due to recent efforts made by the company and lack of strategy provided by the dissidents.

**6) Mergers & Acquisitions:**

A sample of votes for mergers and acquisitions during the quarter  
(Table 8):

**Table 8: Votes cast for mergers acquisitions**

<b>Target</b>	<b>Acquirer</b>	<b>Date</b>	<b>Vote</b>	<b>Rationale</b>
Electronic Data Systems Corp.	Hewlett Packard Co.	7/31/08	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.
Wm. Wrigley Jr. Co.	Mars Inc.	9/25/08	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.
Hilb Rogal & Hobbs Co.	Willis Group Holdings Limited	9/29/08	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.

**V. STRATEGIC PLAN:**

This item is not a product of either the 2008-09 Strategic or Annual Plan.

**VI. RESULTS/COSTS:**

Costs associated with proxy voting are contained within the Investment Office budget.

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Todd Mattley  
Investment Officer

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Bill McGrew  
Portfolio Manager

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Eric Baggesen  
Senior Investment Officer

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Anne Stausboll  
Interim Chief Investment Officer





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November 17, 2008

## **SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Internally Managed Domestic Fixed Income  
(Quarter Ended September 30, 2008)
- II. PROGRAM:** Dollar-Denominated Fixed Income
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Attached is a report that reviews compliance of the Internally Managed Domestic Fixed Income Portfolio to approved policy guidelines for the quarter ended September 30, 2008.

The Investment Committee approved the "Statement of Internally Managed Dollar Denominated Fixed Income Policy, Guidelines and Procedures" at its May 12, 2008 meeting. As recommended by the Investment Policy Subcommittee, these guidelines require at least quarterly reporting on relative duration, sector weightings, and violations of the policy.

Section I of the report graphically displays interest rate risk of the portfolio by comparing its duration relative to that of its benchmark, the Lehman Long Liability Index (LLL). Duration is a measure of price sensitivity to interest rate changes. It is the percentage change in price given a 100 basis point (1 Percent) move in interest rates. As indicated in the graph, the portfolio is well within the guideline of  $\pm 20\%$  of the Lehman Long Liability on an option adjusted basis.

Section II of the report depicts the sector risk of the portfolio. Sector risk is the risk of holding proportions of asset class sectors that differ from proportions in the benchmark index, the Lehman Long Liability. The table lists the permissible range for weightings in each sector, and sector weightings of the Lehman Long Liability and this portfolio. The portfolio is within approved guidelines.

Section III of the report describes violations of the overall policy and guidelines, including investing only in permissible securities and compliance with specified restrictions. There were no violations of policy or guidelines during the quarter ended September 30, 2008.

**V. STRATEGIC PLAN:**

This item supports Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

The market value of the Internally Managed Domestic Fixed Income Portfolio as of September 30, 2008 was \$42.9 billion. This agenda item provides a review of portfolio compliance to its guidelines.

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Robert Perez  
Investment Officer

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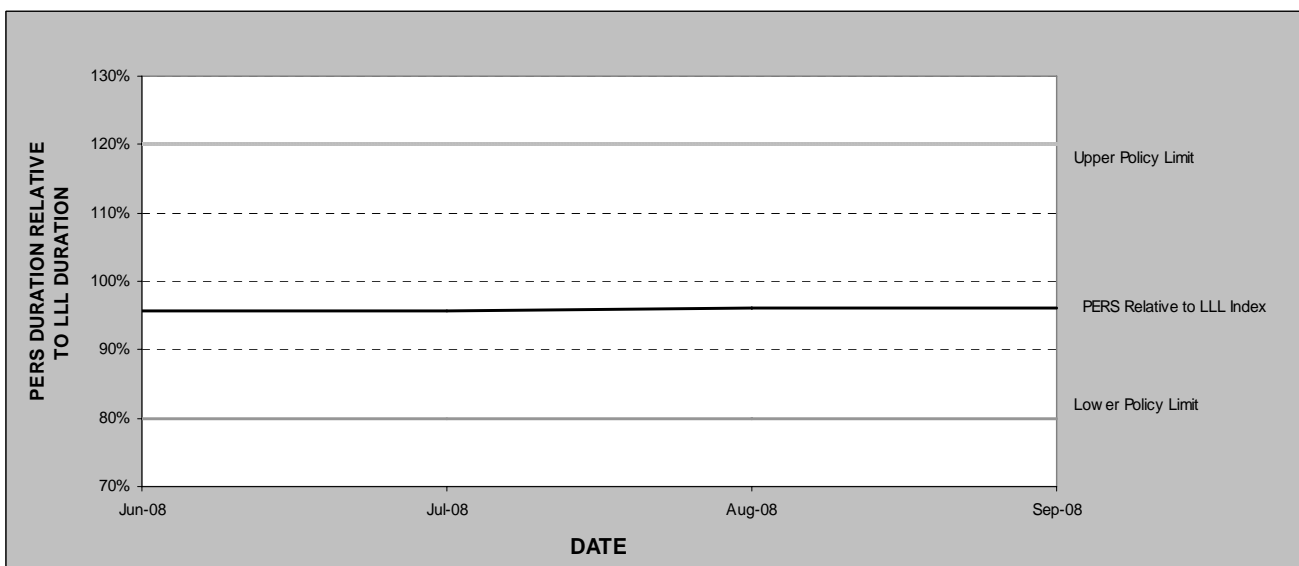
Curtis D. Ishii  
Senior Investment Officer

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Anne Stausboll  
Interim Chief Investment Officer

# QUARTERLY REVIEW OF THE DOMESTIC FIXED INCOME PORTFOLIO ENDING September 30, 2008

## I. Interest Rate Risk



## II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LONG LIABILITY	12/31/07 PERS	3/31/08 PERS	6/30/08 PERS	9/30/08 PERS
Government	0-50	40	24	21	18	19
Mortgages	10-60	30	41	42	43	44
Sovereigns	0-15	3	2	2	2	2
Investment Grade						
Corporates	10-60	24	29	31	31	29
Opportunistic <sup>1</sup>	0-19	3	4	4	6	6

<sup>1</sup> High Yield

## III. Violations to Policy:

None



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November 17, 2008

## **SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Internally Managed Lehman Aggregate Fixed Income (Quarter Ended September 30, 2008)
- II. PROGRAM:** Lehman Aggregate
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Attached is a report that reviews compliance of the Internally Managed Lehman Aggregate Program to approved policy guidelines for the quarter ended September 30, 2008.

The Investment Committee approved the "Statement of Lehman Aggregate Program Policy, Guidelines and Procedures" at its May 12, 2008 meeting. As recommended by the Investment Policy Subcommittee, these guidelines require at least quarterly reporting on relative duration, sector weightings, and violations of the policy.

Section I of the report graphically displays interest rate risk of the portfolio by comparing its duration relative to that of its benchmark, the Lehman Brothers Aggregate Index (LEH\_AGG). Duration is a measure of price sensitivity to interest rate changes. It is the percentage change in price given a 100 basis point (1 Percent) move in interest rates. As indicated in the graph, the portfolio is well within the guideline of  $\pm 20\%$  of the Lehman Brothers Aggregate Index on an option adjusted basis.

Section II of the report depicts the sector risk of the portfolio. Sector risk is the risk of holding proportions of asset class sectors that differ from proportions in the benchmark index, the Lehman Brothers Aggregate. The table lists the permissible range for weightings in each sector, and sector weightings of the Lehman Brothers Aggregate Index and this portfolio. The portfolio is within approved guidelines.

Section III of the report describes violations of the overall policy and guidelines, including investing only in permissible securities and compliance with specified restrictions. There were no violations of policy or guidelines during the quarter ended September 30, 2008.

**V. STRATEGIC PLAN:**

This item supports Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

The market value of the Internally Managed Lehman Aggregate Program as of September 30, 2008 was \$401.4 million. This agenda item provides a review of portfolio compliance to its guidelines.

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Robert Perez  
Investment Officer

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Kevin Winter  
Senior Portfolio Manager

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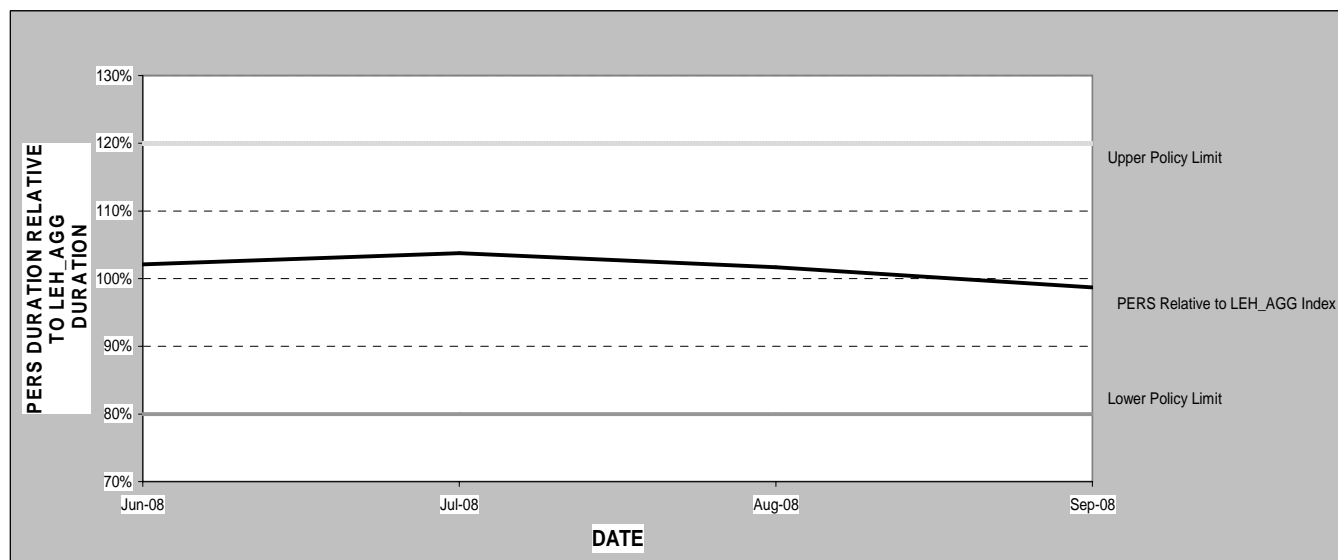
Curtis D. Ishii  
Senior Investment Officer

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Anne Stausboll  
Interim Chief Investment Officer

# QUARTERLY REVIEW OF THE LEHMAN AGGREGATE PROGRAM ENDING September 30, 2008

## I. Interest Rate Risk



## II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LEHMAN AGGREGATE	12/31/07 PERS	3/31/08 PERS	6/30/08 PERS	9/30/08 PERS
US Treasury & Govt. Sponsored	0-80	32	25	21	21	23
Securitized	0-70	45	48	52	52	52
Corporates	10-50	23	27	27	27	25
Opportunistic	0-20	0	0	0	0	0

## III. Violations to Policy:

None



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November 17, 2008

## **SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Internally Managed Treasury Inflation Protected Securities Fixed Income (Quarter Ended September 30, 2008)
- II. PROGRAM:** Treasury Inflation Protected Securities Program
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Attached is a report that reviews compliance of the Treasury Inflation Protected Securities Program to approved policy guidelines for the quarter ended September 30, 2008.

The Investment Committee approved the "Statement of Treasury Inflation Protected Securities Program Policy, Guidelines and Procedures" at its May 12, 2008 meeting. As recommended by the Investment Policy Subcommittee, these guidelines require at least quarterly reporting on relative duration, sector weightings, and violations of the policy.

Section I of the report graphically displays interest rate risk of the portfolio by comparing its duration relative to that of its benchmark, the Lehman Global Real: U.S. TIPS Index (LEH\_TIPS). Duration is a measure of price sensitivity to interest rate changes. It is the percentage change in price given a 100 basis point (1 Percent) move in interest rates. As indicated in the graph, the portfolio is well within the guideline of  $\pm 10\%$  of the Lehman Global Real: U.S. TIPS Index on an option adjusted basis.

Section II of the report depicts the sector risk of the portfolio. Sector risk is the risk of holding proportions of asset class sectors that differ from proportions in the benchmark index, the Lehman Global Real: U.S. TIPS. The table lists the permissible range for weightings in each sector, and sector weightings of the Lehman Global Real: U.S. TIPS Index and this portfolio. The portfolio is within approved guidelines.

Section III of the report describes violations of the overall policy and guidelines, including investing only in permissible securities and compliance with specified restrictions. There were no violations of policy or guidelines during the quarter ended September 30, 2008.

**V. STRATEGIC PLAN:**

This item supports Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

The market value of the Treasury Inflation Protected Securities Program as of September 30, 2008 was \$136.2 million. This agenda item provides a review of portfolio compliance to its guidelines.

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Robert Perez  
Investment Officer

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Christopher Gray  
Investment Officer

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Warren Trepeta  
Senior Portfolio Manager

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Curtis D. Ishii  
Senior Investment Officer

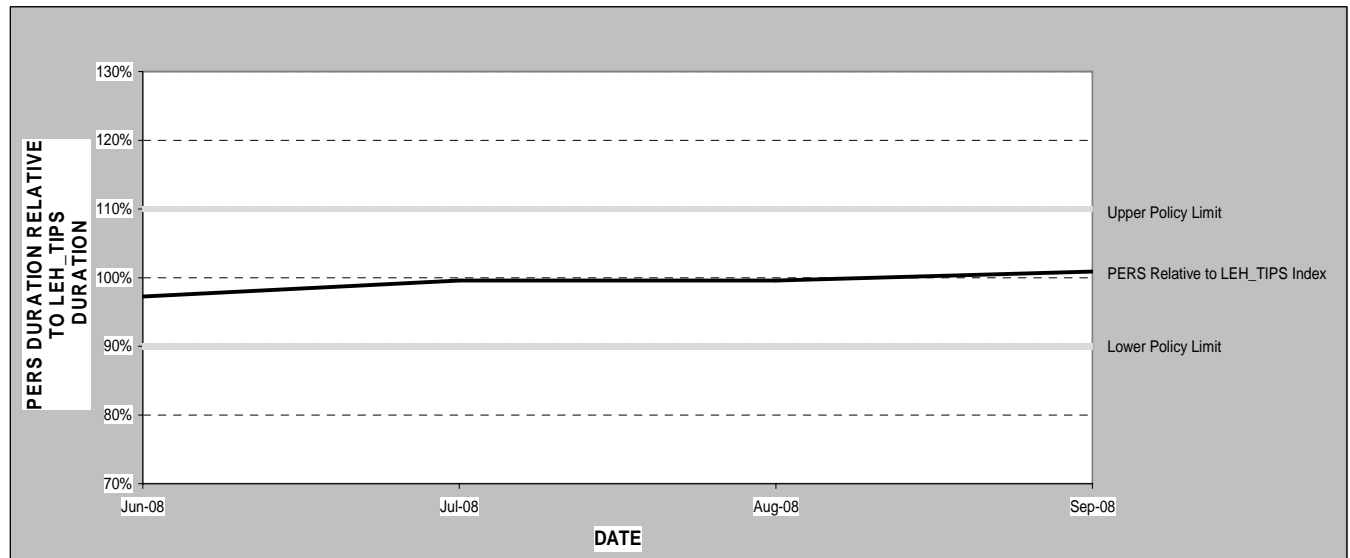
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Anne Stausboll  
Interim Chief Investment Officer



# QUARTERLY REVIEW OF THE TREASURY INFLATION PROTECTED SECURITIES PROGRAM ENDING September 30, 2008

## I. Interest Rate Risk



## II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LEHMAN GLOBAL REAL	12/31/07	3/31/08	6/30/08	9/30/08
		U.S. TIPS	PERS	PERS	PERS	PERS
TIPS	80-100	100	98	99	98	100
Nominal US Treasury	0-15	0	0	0	0	0
STIF	0-5	0	2	1	2	0

## III. Violations to Policy:

None



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November 17, 2008

## **SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Low Duration Fixed Income Funds  
(Quarter Ended September 30, 2008)
- II. PROGRAM:** Domestic Fixed Income
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Attached is a report that reviews compliance of the internally managed Low Duration Fixed Income funds to approved policy guidelines for the quarter ended September 30, 2008.

The Investment Committee approved the "California Public Employees' Retirement System Statement of Investment Policy for Low Duration Fixed Income Program Policy" (Policy) at its May 12, 2008 meeting. These guidelines require at least quarterly reporting of portfolios duration, sector weightings, fixed and floating rate breakout, security rating scales, and an exceptions report that covers policy violations. This policy is for the High Quality Libor Fund (HQL), Short Duration Fund (SDF), and the Short Term Fund (ST). Attachment A is the quarter review of the High Quality Libor Fund. Attachment B is the quarter review of the Short Duration Fund. Attachment C is the quarter review of the Short Term Fund.

Section I measures HQL and SDF funds interest rate exposure using portfolio duration and the ST's interest rate exposure using weighted-average days to maturity. HQL, SDF, and ST portfolios are within approved guidelines.

Section II lists the portfolio's allocation by asset class and credit quality as of quarter end. The table also lists other positions of the fund relative to policy restrictions. HQL, SDF, and ST portfolios are within approved guidelines.

Section III describes violations of the Policy that occurred during the quarter, including investing only in permissible securities and compliance with specified restrictions. There was one violation in the SDF portfolio during the quarter ended September 30, 2008. The total current face of the security was \$7,639,911.99 which was 0.27% of the SDF portfolio (0.05% of the total Limited Duration portfolios). The security was downgraded from BBB to BB due to the downgrade of the monoline insurer guaranteeing this security. Staff analyzed the security and decided that it was in the best interest of CalPERS to hold on the security and allow it to pay off over time.

**V. STRATEGIC PLAN:**

This item supports Goal VIII, Objective 4, Strategy C by providing a monitoring system that periodically updates risk management review and findings for the asset class.

**VI. RESULTS/COSTS:**

As of September 30, 2008, the market value of the High Quality Libor Fund was \$14.9 billion, the market value for the Short Duration Fund was \$2.2 billion and the market value of the Short Term Fund was \$3.4 billion. The total market value of the Low Duration Fixed Income portfolios as of September 30, 2008 was \$20.5 billion. This agenda item reviews the portfolios' compliance to its guidelines.

Prepared by:

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Rhonda Webb  
Investment Officer

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Robert Booker  
Investment Officer

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Jean Hsu  
Portfolio Manager

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Curtis D. Ishii  
Senior Investment Officer

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Anne Stausboll  
Interim Chief Investment Officer

**QUARTER REVIEW OF THE INTERNALLY MANAGED  
HIGH QUALITY LIBOR FUND ENDING September 30, 2008**

**I. Interest Rate Risk**

The policy states that duration of the portfolio shall not exceed 90 days. The portfolio duration of the High Quality LIBOR Fund was 22 days.

**II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits**

<b><u>Asset Type</u></b>	<b><u>Policy Limits</u></b>	<b><u>Portfolio Holdings</u></b>
STIF Funds	100%	4.92%
AAA Floating Rate Structured Securities	100	89.96
AAA Fixed Rate Structured Securities	20	0.00
Money Market Securities ( $\geq$ A1/P1)	100	0.00
Money Market Securities ( $<$ A1/P1)	25	5.12
High Quality Libor Fund		<u>100.0%</u>

**Credit Quality**

Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	93.71%
Total Split Rated and A2/P2 money market securities ( $>$ 1 day maturity)	25	6.29
High Quality Libor Fund		<u>100.0%</u>

**Other Restriction**

Total Fixed Rate Exposure ( $>$ 35 day maturity)	20%	0.00%
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**III. Violations To Policy**

None.

**QUARTER REVIEW OF THE INTERNALLY MANAGED  
SHORT DURATION FUND ENDING September 30, 2008**

**I. Interest Rate Risk**

The policy states that duration of the portfolio shall not exceed 180 days. The portfolio duration of the Short Duration Fund was 14 days.

**II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits**

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	8.60%
AAA Structured Securities	100	38.27
Non AAA Structured Securities	50	18.57
ABL Line Item	100	15.72
Money Market Securities ( $\geq$ A1/P1)	100	0.00
Money Market Securities ( $<$ A1/P1)	25	18.84
Total Corporate Securities	50	0.00
Short Duration Fund		100.0%
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	61.99%
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	38.01
Short Duration Fund		100.0%
<u>Other Restriction</u>		
Total Fixed Rate Exposure ( $>$ 35 day maturity)	35%	0.00%

**III. Violations To Policy**

On 08/26/08, S&P downgraded CWL 2006-S5 A1 to a "BB" from a "BBB". The downgrade is due primarily to its monoline insurer, FGIC, being downgraded. This triggered violation of the following issue: "Structured Securities must be  $\geq$  Baa2/BBB. Current face of the security was \$7,639,911.99, which was 0.34% of the SDF portfolio. Staff has reviewed the security and recommended holding the bond for several reasons.

The CWL 06-S5 A1 bond is the first tranche of a sequential pay structure. The underlying collateral is 2nd lien for prime borrower. As of August remittance report, losses have all been absorbed by internal structure/cash flow. No claim has been made to FGIC.

In addition to FGIC as a bond level wrapper, this deal also has Old Republic as a pool policy insurer up to 8% of the pool balance. Old Republic holds A2 senior debt rating and Aa2 insurance financial strength rating (Moody's credit opinion 7/2/08). This provides an extra layer of protection.

Currently, this bond is at 0.239134999 factor and we own 7.17mm current face. It has been paying at 16CPR (3 month avg). Assuming the same speed, this bond will have a window until July 09 with declining factor.

This bond, in today's illiquid market, will probably trade around \$65 to \$70 dollar price. FGIC's wrap on this deal is timely interest and "timely Principal" (vs. ultimate principal), as long as FGIC is around for another year, this bond will totally paid off. Even if we ignore FGIC and Old Republic's insurance, the chance of suffering principal loss is very remote. In a very distressed scenario (e.g. very slow prepay, 5CPR; very high default, 10CDR for life; 80% severity; no P&I advancing; equating to 53% collateral liquidation) (actual CPR 16.7, average CDR around 4, 70% severity), this bond will take 1.2 point write down.

**QUARTER REVIEW OF THE DOMESTIC  
SHORT-TERM FUND ENDING September 30, 2008**

**I. Interest Rate Risk**

The weighted-average days to maturity of the Short-Term Fund was 1 day.

**II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits**

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	100.00%
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	0.0
Asset-Backed Securities	25	0.0
Total Short-Term Fund		<u>100.0%</u>

**Credit Quality**

Securities rated A1/P1 or higher	100%	100.00%
Total Split Rated and A2/P2	30	0.00
Total Short-Term Fund		<u>100.0%</u>

**Other Restriction**

Total Floating Rate Exposure	50%	0.0%
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**III. Violations To Policy**

None.



**Investment Office**

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November 17, 2008

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Member Home Loan Quarterly Performance Report
- II. PROGRAM:** Member Home Loan Program (MHLP)
- III. RECOMMENDATION:** Information only
- IV. ANALYSIS:**

For the quarter ended September 30, 2008, the CalPERS Member Home Loan Program purchased approximately \$258.6 million of FNMA and GNMA securities. This represents a \$127.6 million increase in these mortgage-backed securities purchased from the previous quarter total of \$131.0 million.

During the same period, the CalPERS Member Home Loan Program also purchased \$43.6 million of whole (jumbo) loans. This represents a \$32.5 million increase of whole loans purchased from the previous quarter total of \$11.1 million.

For the 12 month period July 1, 2007 through June 30, 2008, the Member Home Loan Program purchased approximately 2,977 real estate loans totaling \$775.7 million.



**V. STRATEGIC PLAN:**

This item is consistent with Goal V: Provide sustainable pension benefit products and services responsive to and valued by members, employers and stakeholders.

**VI. RESULTS/COSTS:**

Attachment 1 is the quarterly report prepared by CitiMortgage.

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Mark Yelavich  
Investment Officer II

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Daniel Kiefer  
Opportunistic Portfolio Manager

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Arnold B. Phillips  
Senior Portfolio Manager

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Curtis D. Ishii  
Senior Investment Officer

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Anne Stausboll  
Interim Chief Investment Officer



*CalPERS Member*

*Home Loan Program*

Quarterly Update Report  
as of September 30, 2008

Presented by:



Manager of  
CalPERS Member Home Loan Program  
("MHLP")

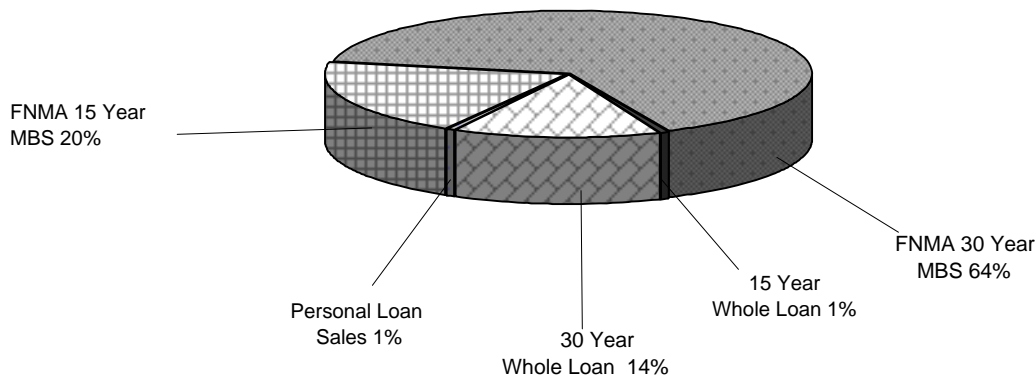
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# Quarterly Purchases

## CalPERS Purchases Quarter Ending 09/30/08



INVESTMENT TYPES	LOANS	AMOUNT PURCHASED	Weighted Avg. Coupon	Weighted Avg. Maturity (Mos.)
<b>FNMA Mortgage-Backed Securities<sup>(1)</sup></b>				
15 Year	298	\$59,900,708	4.30%	173.7
30 Year	714	\$198,682,242	4.89%	353.0
ARMs (all conforming)	0	\$0	0.00%	0.0
<b>GNMA Mortgage-Backed Securities<sup>(2)</sup></b>				
Fixed	0	\$0	0.00%	0.0
Variable	0	\$0	0.00%	0.0
<b>Whole Loans<sup>(3)</sup></b>				
15 Year	7	\$1,712,556	4.41%	172.7
30 Year (including ARMs)	87	\$41,845,603	5.62%	322.5
<b>Sub-Total</b>	<b>1,106</b>	<b>\$302,141,109</b>	<b>4.87%</b>	<b>312.2</b>
<b>Personal Whole Loans*</b>	<b>210</b>	<b>\$1,802,611</b>	<b>8.82%</b>	<b>145.4</b>
<b>GRAND TOTAL</b>	<b>1,316</b>	<b>\$303,943,721</b>	<b>4.89%</b>	<b>311.2</b>

### FEES CHARGED ON SECURITIZED LOANS:

#### <sup>(1)</sup> FNMA MBS

Servicing fees 25 basis points

#### <sup>(2)</sup> GNMA MBS

Servicing fees 19 basis points / 44 basis points

Guaranty fees 6 basis points

#### <sup>(3)</sup> Whole Loans

Servicing fixed 25 basis points

Servicing ARMS 37.5 basis points

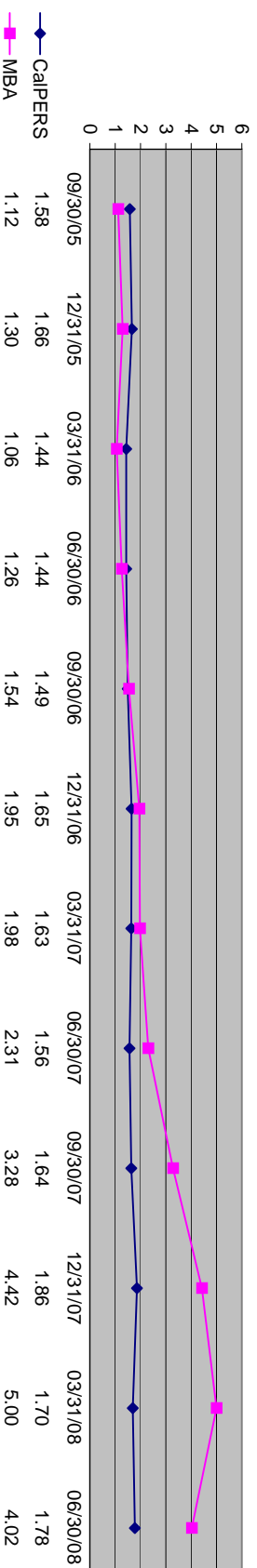
\*For reporting purposes, Personal Whole Loans are not included in the above pie chart.



# Prime Conforming Loan Delinquency Comparison

## Fannie Mae Mortgage-Backed Securities (“MBS”) VS. Mortgage Bankers Association (“MBA”) % of Delinquent Loans

CalPERS FNMA MHLP MORTGAGE-BACKED SECURITIES (MBS) VS. MORTGAGE BANKERS ASSOCIATION (MBA) % LOANS DELINQUENT

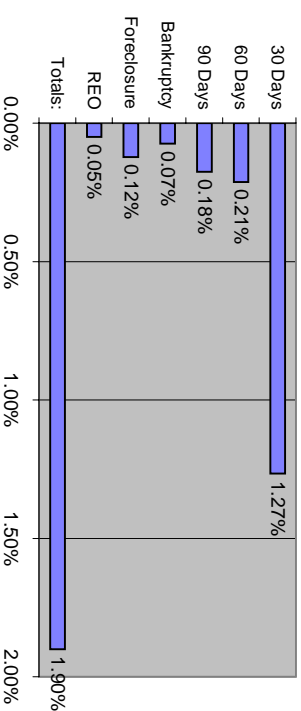


CalPERS FNMA MBS DELINQUENCY  
NUMBERS QTR ENDING 06/30/08

	# Loans	% Delinquent	UPB (\$)	% Delinquent
30 Days	309	1.27%	\$53,079,653	1.47%
60 Days	52	0.21%	\$9,656,359	0.27%
90 Days	43	0.18%	\$8,989,039	0.25%
Bankruptcy	18	0.07%	\$3,354,423	0.09%
Foreclosure	30	0.12%	\$6,013,697	0.17%
REO	12	0.05%	\$2,244,673	0.06%
Totals:	464	1.90%	\$83,337,844	2.30%

Totals Less BK and REO: 434 1.78% \$77,738,748 2.15%

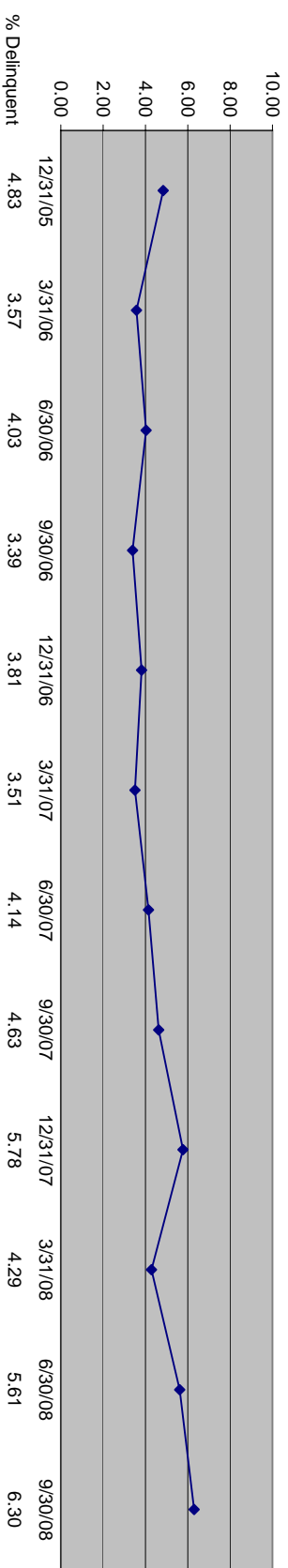
CalPERS FNMA MBS % OF LOANS DELINQUENT  
QTR ENDING 6/30/08



Source of the MBA % of delinquent loans is National Delinquency Survey California prime loans. Since MBA does not report on REO/Bankruptcy, MHLP percentage will not reflect REO/Bankruptcy. Delinquent loans are those that are 30, 60, or 90 days late and loans that are in foreclosure. Total Portfolio reflects total MHLP MBS outstanding principal balance regardless of CalPERS ownership of the MHLP MBS. For all graphs above, percentages are based on loan count.

# Personal Loan Delinquency Report

% LOANS DELINQUENT FOR QUARTER ENDING 9/30/08



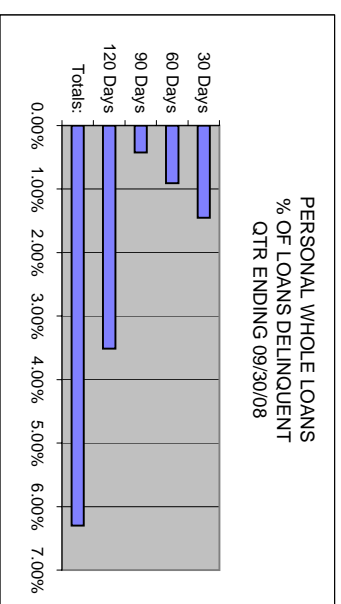
## PERSONAL WHOLE LOANS DELINQUENCY NUMBERS QTR ENDING 09/30/08

	# Loans	% Delinquent	UPB (\$)
30 Days	24	1.46%	\$121,844
60 Days	15	0.91%	\$87,455
90 Days	7	0.42%	\$78,826
120 Days	58	3.51%	\$309,199
<b>Total Delinquent</b>	<b>104</b>	<b>6.30%</b>	<b>\$597,325</b>
<b>Total Portfolio</b>	<b>1,651</b>	<b>\$9,789,614</b>	

For all graphs above, percentages are based on loan count.

Personal Loans that have been purchased by CalPERS (program to date):	
Number of Loans: 19,954	Total: \$148,001,873

## PERSONAL WHOLE LOANS % OF LOANS DELINQUENT QTR ENDING 09/30/08



Personal Loans that have been called into default (program to date):	
Number of Loans: 578	Total: \$2,647,456

# Participating Lender List



**Quarter Ending 09/30/08**

LENDER NAME	#BRANCHES	WHOLESALE LENDER*
ALTURA CREDIT UNION	1	
BROADVIEW MORTGAGE COMPANY	10	X
CHERRY CREEK MORTGAGE	1	
COUNTRYWIDE BANK, FSB	143	
EAGLE HOME MORTGAGE, INC.	8	
EASTLAND FINANCIAL CORPORATION	1	
EVERGREEN MONEYSOURCE MORTGAGE COMP	2	
FIRST MORTGAGE CORPORATION	24	X
GATEWAY BUSINESS BANK	21	
GOLDEN EMPIRE MORTGAGE	21	
GUILD MORTGAGE COMPANY	16	X
IMORTGAGE.COM	1	
LAND HOME FINANCIAL SERVICES INC.	6	
MASON-MCDUFFIE MORTGAGE CORP.	3	
METLIFE HOME LOANS	1	
METROCITI MORTGAGE LLC	17	
MOUNTAIN WEST FINANCIAL, INC.	3	X
NCMC A SUBSIDIARY OF NATIONAL CITY	24	
NL INC.	19	
PLATINUM HOME MORTGAGE CORP	12	
SHEA MORTGAGE	1	
SIERRA PACIFIC HOME LOANS	8	X
SIERRA PACIFIC MORTGAGE COMPANY, INC.	11	X
STEARNS LENDING, INC	1	
THE GOLDEN 1 CREDIT UNION	1	
THE MORTGAGE HOUSE, INC.	9	
UNIVERSAL AMERICAN MORTGAGE COMPANY	17	
VITEK	2	
WALLICK AND VOLK INC	1	
WELLS FARGO BANK, NA	124	
<b>TOTAL NUMBER OF BRANCHES/WHOLESALE LENDERS:</b>	<b>509</b>	<b>6</b>

**TOTAL NUMBER OF PARTICIPATING LENDERS: 30**

\*In addition to direct origination, Wholesale Lenders may sponsor brokers and deliver loans originated by these brokers for purchase.



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November 17, 2008

## **SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

**I. SUBJECT:** Quarterly Public Records Act Requests

**II. PROGRAM:** Legal Office

**III. RECOMMENDATION:** None - Information Only

**IV. ANALYSIS:**

The following is attached:

A. Quarterly Public Records Act Requests Report

**V. STRATEGIC PLAN:**

This item is not a specific product of either the Strategic or Annual Plans, but is part of the ongoing workload of the General Counsel and the Legal Office.

**VI. RESULTS/COSTS:**

This information is provided to assist the Board in its oversight of responsibilities delegated to its staff. Providing the information does not involve any additional costs to the System, but results in the dual benefits of greater Board awareness of issues and greater disclosure to CalPERS' participants.

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PETER H. MIXON  
General Counsel



**PUBLIC RECORDS ACT REQUESTS**  
**July 1, 2008 – September 30, 2008**

<b>Request Date</b>	<b>Requester</b>	<b>Subject</b>	<b>Response</b>
07/21/2008	Business	Information on Page Mill Properties.	Response provided on 9/26/08.
09/26/2008	Business	Request for AIM information.	Response in progress.